

Message Text

SECRET

PAGE 01 THE HA 00311 01 OF 02 200834Z
ACTION OES-07

INFO OCT-01 ARA-10 EUR-12 ISO-00 SS-15 DOE-11 SOE-02
ACDA-12 CIAE-00 INR-07 IO-13 L-03 NSAE-00 NSC-05
EB-08 NRC-05 DODE-00 SP-02 /113 W
-----076239 200848Z /11

R 191540Z JAN 78
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 1905
INFO AMEMBASSY BONN
AMEMBASSY BRASILIA
AMEMBASSY LONDON
AMEMBASSY VIENNA

S E C R E T SECTION 1 OF 2 THE HAGUE 311

USIAEA

E.O. 11652: XGDS-1
TAGS: ENRG MNUC PARM TECH NL
SUBJECT: ALMELO ENLARGEMENT AND URENCO FUEL SUPPLY TO BRAZIL

RER: (A) THE HAGUE 38, (B) THE HAGUE 59, (C) STATE 9755

1. IN THE WAKE OF GOVERNMENT LETTER TO PARLIAMENT ABOUT ALMELO ENLARGEMENT AND THE BRAZILIAN ENRICHMENT CONTRACT WITH URENCO TRIPARTITE CONSORTIUM, WE HAVE NOW OBTAINED READ-OUT FROM MFA COVERING EVENTS OF LAST FEW WEEKS ON WHICH MFA HAD EARLIER GIVEN US PARTIAL REPORTS (REFTELS A AND B).

2. IT NOW APPEARS THAT TRIPARTITE JOINT COMMITTEE MET DECEMBER 21 IN LONDON AND AGREED ON TEXT TO BE PUT TO BRAZIL. (SEE LAST PARA OF THIS MESSAGE). ON CHRISTMAS EVE THIS TEXT RECEIVED APPROVAL FROM ALL THREE GOVERNMENTS AND WAS THAT DAY CONVEYED TO THE BRAZILIAN GOVERNMENT IN BRASILIA. ON JANUARY 11 BRAZIL NOTIFIED ITS AGREEMENT WITH THE TEXT. WITHIN THE NEXT FEW DAYS TEXT WILL BE INCORPORATED IN ANC EXCHANGE OF NOTES AMONG
SECRET

SECRET

PAGE 02 THE HA 00311 01 OF 02 200834Z

THE FOUR GOVERNMENTS INVOLVED WHICH WILL HAVE THE EFFECT OF TYING AGREED TEXT TO THE EXISTING FRG-GOB-IAEA SAFEGUARDS AGREEMENT.

3. APPARENTLY GON ACTED UNDER HEAVY GERMAN AND BRITISH PRESSURE AND IN THE BELIEF THAT, HAD DUTCH NOT AGREED BY THE TURN OF THE YEAR, IT WOULD HAVE MEANT THE END OF THE TRIPARTITE CONSORTIUM AND THE CONSEQUENT LOSS OF DUTCH ABILITY TO INFLUENCE

EVENTS. GERMAN PRESSURE HAD COME MOSTLY FROM THE MINISTRY OF RESEARCH AND TECHNOLOGY. (WE WERE TOLD GENSCHER HAD BEEN SOMEWHAT SOFTER.) BRITISH PRESSURE CAME FROM THE UK DEPT OF ENERGY, WITH FONOFF SUPPORT. URENCO ITSELF ALSO LOBBIED THE NEW DUTCH GOVERNMENT, THOUGH THIS WAS INCIDENTAL FACTOR. WHEN WE ASKED WHY THESE GERMAN AND BRITISH DEADLINES HAD BEEN TAKEN MORE SERIOUSLY THAN THE MANY PREVIOUS DEADLINES, WE WERE TOLD THAT GON WAS CONVINCED IT COULD NO LONGER STRING OUT A DECISION. MFA NOTED INCIDENTALLY THAT IT DETECTED A SENSE OF DISAPPOINTMENT ON THE PART OF GERMAN INDUSTRY, PARTICULARLY URANIT, THAT DUTCH HAD COME THROUGH. MFA READ THIS AS INDICATING GERMANS HAD BEEN LOOKING FOR A WAY TO SHED RECALCITRANT DUTCH PARTNER. LAST-MINUTE GON DECISION HAD KEPT CONSORTIUM ALIVE AND DUTCH STEADYING HAND ON THE TILLER.

4. MFA IS OF VIEW THAT SUBSTANCE OF WHAT HAS NOW BEEN WORKED OUT WITH BRAZIL IS LESS THAN WHAT VAN DER THOEL SOUGHT, WHICH WAS TO WORK OUT IN DETAIL NOW TERMS OF A POSSIBLE AD HOC AGREEMENT. WHAT HAS BEEN ACHIEVED BY NEW DUTCH GOVERNMENT IS THAT, IN THE EVENT NO GENERAL IAEA REGIME FOR PLUTONIUM STORAGE HAS BEEN WORKED OUT BY THE TIME URENCO ENRICHED FUEL IS READY FOR REPROCESSING IN BRAZIL, FOUR GOVERNMENTS WILL NEGOTIATE AD HOC ARRANGEMENTS. THIS LEAVES OPEN WHAT MIGHT BE AGREED IN THE FUTURE, ASSUMING BRAZILIAN GOVERNMENT WOULD NEGOTIATE IN GOOD FAITH. THE PRESS HAS ALREADY PICKED UP THIS VULNERABLE POINT, AND IT HAS ALSO ARISEN IN THE PARLIAMENTARY SECRET

SECRET

PAGE 03 THE HA 00311 01 OF 02 200834Z

DEBATE ON THE GOVERNMENT'S JANUARY 16 DECLARATION OF POLICY (SEPTEL). LEADING INFLUENTIAL DAILY "NRC HANDELSBLAD" CARRIED CRITICAL EDITORIAL JANUARY 17 ENTITLED "A STEP BACKWARDS."

5. IN RESPONSE TO OUR QUESTIONS WHY DUTCH FOREIGN MINISTER VAN DER KLAUW HAD BEEN WILLING TO SETTLE SHORT OF WHAT HIS PREDECESSOR VAN DER STOEL HAD AIMED FOR, WE WERE TOLD THAT THE CONDITIONS DUTCH WISHED TO PUT TO BRAZIL WERE NOT ACCEPTABLE TO THE BRITISH OR GERMANS. IN PARTICULAR, NEITHER NBOON NOR LONDON FELT IT MADE SENSE TO PURSUE VAN DER STOEL'S CONDITIONS IN THE FACE OF THE BRAZILIAN POSITION THAT IT WOULD AGREE ONLY IF URFCO WOULD IMPOSE SAME CONDITIONS ON ANY OTHER CLIENT. INASMUCH AS EUROPEAN SUPPLIERS--SUCH AS EUROFIF--WERE WILLING TO PROVIDE ENRICHED FUEL WITHOUT SUCH GUARANTEES, NEITHER THE BRITISH NOR GERMANS SAW ANY POINT PURSUING VAN DER STOEL'S LINE WITH BRAZIL. UNDER THE CIRCUMSTANCES, VAN DER KLAUW

SECRET

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SECRET

PAGE 01 THE HA 00311 02 OF 02 200834Z
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S E C R E T SECTION 2 OF 2 THE HAGUE 311

USIAEA

LOWERED HIS SIGHTS AND TRIPARTITE AGREEMENT BECAME POSSIBLE.

6.COMMENT: AS WE INDICATED REF B, THE NEW GOVERNMENT HAS CLEARLY PREEMPTED PARLIAMENT. THE TWO IMPORTANT DECISIONS TO ENLARGE ALMELO AND PROCEED WITH BRAZILIAN CONTRACT HAVE BEEN TAKEN AND WILL BE CARRIED OUT EVEN IF THERE IS PARLIAMENTARY FLAK, WHICH IS ALREADY GAINING IN STRENGTH. FULL PARLIAMENTARY DEBATE ON THIS ISSUE IS NOW SCHEDULED FOR NEXT WEEK. PRIME MINISTER VAN AGT, WHILE CONVEYING THE IMPRESSION THAT HE IS CERTAIN OF MAJORITY SUPPORT, LAST NIGHT TOLD PARLIAMENT THAT IN THE EVENT THE CHAMBER FELT OTHERWISE, THE GOVERNMENT WOULD REVERSE ITS DECISION.

7. DUTCH HAVE BEEN SO FAR STAUNCHEST EUROPEAN SUPPORTER OF US NON-PROLIFERATION POLICIES. WASHINGTON HAS BEEN, HOWEVER, CONCERNED ABOUT IMPLICATIONS OF ARRANGEMENT SOUGHT BY VAN DER STOEL. GON HAS NOW AGREED TO SOMETHING LESS. MFA DIR GEN FOR POLITICAL AFFAIRS TOLD US THAT IT WOULD BE MOST UNFORTUNATE IF THERE WERE PUBLIC NEGATIVE REACTION FROM WASHINGTON NOW.

SECRET

SECRET

PAGE 02 THE HA 00311 02 OF 02 200834Z

HE SAID THAT THIS WOULD BE "DISASTER" FOR VAN DER KLASUW. WE RESPONDED BY UNDERLINING IMPORTANCE OF CONTINUING CLOSE CONSULTATIONS AND SUGGESTED INFORMALLY THAT DUTCH MIGHT SEEK EARLIEST OPPORTUNITY TO EXPLAIN THEIR NEW POLICY IN WASHINGTON.

8. IN THESE CIRCUMSTANCES THE ISSUE OF AN APPROACH TO DUTCH ON TIMING OF IAEA BOARD ACTION ON SPECIAL STORAGE REGIME (REF C) APPEARS TO HAVE BEEN OVERTAKEN BY EVENTS. WE DO FEEL HOWEVER, THAT THERE IS NOW URGENCY FOR A HIGH-LEVEL EXCHANGE OF VIEWS. IT MAY BE THE GON WILL NOW TAKE THE INITIATIVE, BUT IF NOT WE PROBABLY SHOULD. WASHINGTON LOOKS LIKE THE PREFERRED LOCALE, ALL THE MORE SINCE THIS WILL MAXIMIZE THE OPPORTUNITY TO EXPOSE DUTCH TO THE FULL RANGE OF OUR THINKING. OUR OVERRIDING AIM SHOULD BE TO CONTINUE CLOSE RELATION WE HAVE HAD WITH GON SO AS TO PRESERVE OUR ABILITY TO HAVE THEM SUPPORT OUR NON-PROLIFERATION VIEWS WITH OTHER EUROPEANS. AT THE SAME TIME, WE WILL WANT TO REVIEW WITH DUTCH OUR APPROACH TO NON-PROLIFERATION, PARTICULARLY AS IT PERTAINS TO BRAZIL, AND ASSESS SIGNIFICANCE OF RECENT DUTCH MOVE. END COMMENT.

9. BEGIN TEXT:

(1) THE FOUR GOVERNMENTS AGREE TO WORK TOWARDS THE ESTABLISHMENT OF AN IAEA PLUTONIUM STORAGE REGIME ON A NON-DISCRIMINATORY AND UNIVERSALLY APPLICABLE BASIS IN CONFORMITY WITH ARTICLE XII A5 OF THE IAEA STATUTE.

(2) THE FOUR GOVERNMENTS AGREE THAT IN THE EVENT THAT AN IAEA REGIME IS NOT LIKELY TO BE AVAILABLE BY THE TIME URENCO ENRICHED FUEL IS READY FOR REPROCESSING IN BRAZIL, ANY PLUTONIUM DERIVED FROM FUEL ENRICHED BY URENCO AND REPROCESSED IN BRAZIL WILL BE STORED, UNTIL COVERED BY SUCH A REGIME, WHICH WOULD THEN BE APPLIED, UNDER AD HOC STORAGE ARRANGEMENTS AGREED BY THE FOUR GOVERNMENTS AND BASED ON THE SAME PRINCIPLES
SECRET

SECRET

PAGE 03 THE HA 00311 02 OF 02 200834Z

AS ARTICLE XII A5. THE FOUR GOVERNMENTS WILL INVITE THE IAEA TO PARTICIPATE IN THE IMPLEMENTATION OF SUCH AD HOC ARRANGEMENTS.

(3) THE PROVISIONS OF THE PROCEEDING PARAGRAPHS WILL BE INCORPORATED IN THE EXCHANGE OF NOTES REQUIRED TO BRING THE SUPPLY OF MATERIAL TO BRAZIL BY URENCO UNDER THE AEGIS OF THE TRILATERAL SAFEGUARDS AGREEMENT CONCLUDED BETWEEN THE FEDERAL REPUBLIC OF GERMANY, BRAZIL AND THE IAEA. THE TEXT OF THESE NOTES WILL BE COMMUNICATED TO THE IAEA. END TEXT.
MCCLOSKEY

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